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Product Brief

Produce Market Brief Update

2005

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Report Highlights:

In 2005, it is estimated that Korea will import \$100 million of fresh vegetables, a 10 percent increase from the previous year and \$390,000 of fresh fruit, a 14 percent increase from the previous year. The United States has a 5 percent market share in the fresh vegetable market and a 43 percent market share in fresh fruit; . However, the U.S. has a 99 percent market share in oranges and an 85 percent market share in fresh cherries. The well-being or healthy food trend is growing as incomes increase and consumers demand larger quantities and greater varieties of fresh produce. Eating out has also become a major trend and fast food and family style restaurants are increasingly preparing dishes with a variety of fresh vegetables. Korea is self-sufficient in almost all produce; however, local production declines slightly every year and imports are likely to continue growing.

Includes PSD Changes: No
Includes Trade Matrix: No
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Seoul ATO [KS2]
[KS]

Section I. MARKET OVERVIEW

In 2005, it is estimated that Korea will import \$100 million of fresh vegetables, a 10 percent increase from the previous year and \$390,000 of fresh fruit, a 14 percent increase from the previous year. The United States has a 5 percent market share in the fresh vegetable market and a 43 percent market share in fresh fruit; However, the U.S. has a 99 percent market share in oranges and an 85 percent market share in fresh cherries.

The well-being or healthy food trend is growing as incomes increase and consumers demand larger quantities and greater varieties of fresh produce. The government has also supported the growth of the well-being trend by encouraging environmentally friendly farming. Currently, three percent of total agricultural production is either produced organically, with lower pesticide, or lower fertilizer use.

Eating out has also become a major trend and fast food and family style restaurants are increasingly preparing dishes with a variety of fresh vegetables.

Korea is self-sufficient in almost all produce; however, local production is declining due to a shortage of agricultural labor and fresh produce consumption is growing. Local consumption of vegetables reached 7.2 million metric tons and fruits, 2.6 million metric tons in 2003. Local production of produce has been decreasing during the last four to five years due to an increase in farming costs as a result of labor shortages.

Table 1: Advantages and Challenges for U.S. Produce

Advantages	Challenges
U.S. prices are competitive with other imports and local production	High tariffs for some products
For some products, little or no competition exists	Mandatory fumigation requirements for oranges and cherry
Consumers consider U.S. product to be of good to superior quality	New product entry is a time-consuming process
Few barriers to entry for fruits	Cumbersome barriers to entry for vegetables

Section II. MARKET SECTOR OPPORTUNITIES AND THREATS

Most fresh produce (about 70 percent) is sold through the retail sector. Most of the major retail companies in Korea are horizontally integrated and operate a variety of different retail formats, encompassing department stores, hypermarkets, supermarkets, convenience stores, and on-line shopping. For example, Lotte Shopping Co. Ltd. has under its umbrella "Lotte" Department Stores, "Lotte Mart" hypermarkets, "Lotte Lemon" supermarkets, "Seven Eleven" convenience stores, and "Lotte.com" Internet shopping mall. This integration is aimed at achieving better economy of scale and market coverage. Entry into one section of an integrated retailer can easily lead to an access to the whole system.

1. Entry Strategy

The current best strategy for entering the retail market is to contact and work with an established importer as few retailers import directly. This may change in the future, as mass retailers are increasingly interested in seeking ways to increase direct imports.

? Established importers should be able to provide market intelligence, up-to-date information, guidance on business practices and trade related regulations, sales contacts with existing and potential buyers, and market development expertise.

? The type of contract between the importer and exporter varies from joint investment partnership to exclusive agent-ship to non-binding broker-ship mainly depending on how the exporter sees the role of the importer in market development. The most common practice is maintaining a non-binding seller-buyer relationship during the test-market period and then upgrading to a more binding option if the market shows bigger potential.

? There are many things that the U.S. exporter should follow closely with the importer during the initial stage of export. The Korean government maintains very strict regulations on food imports and requires various certificates/documents before import clearance. Therefore, the exporter must provide the importer with necessary documents and information to submit to the government.

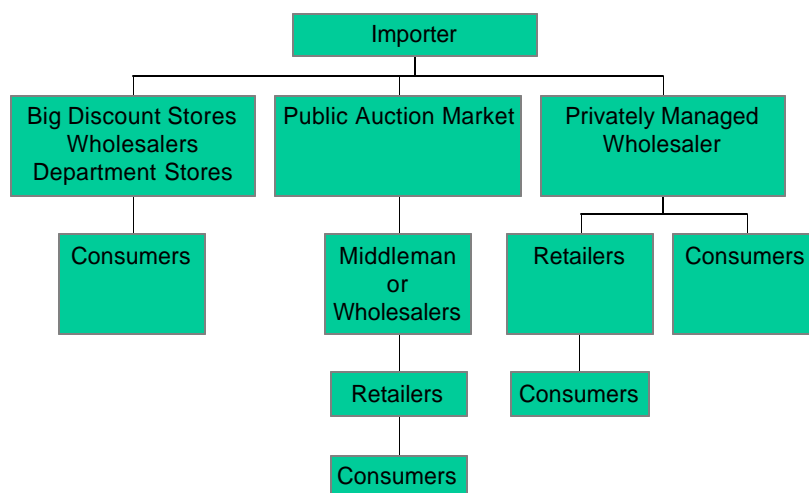
The amount of time taken from looking for an importer to finally getting the product in the store in Korea may vary. Again, the key is meeting the right partner.

Attending a Korean food show could be a time and cost saving way to gain access to the Korean food trade from importers to retail operators to media. Currently, Food & Hotel Korea, a trade-only international food show, is the only event that FAS/USDA has endorsed in Korea and is the most recommended show for U.S. suppliers of fresh produce.

The U.S. Agricultural Trade Office (ATO) in Seoul also maintains a current list of produce importers and has on-going marketing activities that provide new-to-market U.S. food exporters with an opportunity to meet important players in the Korean food trade. Contacting the ATO is highly recommended for new-to-market U.S. exporters who seek opportunities in the food retail market in Korea.

Fresh fruits, such as oranges and bananas are sold at all types of retail outlets, from high-end grocery stores to traditional wet markets; however most imported fresh produce is only available at the high-end grocery stores.

Chart 1: Distribution Channel



Fresh fruits, such as oranges and bananas are sold at all types of retail outlets, from high-end grocery stores to traditional wet markets; however most imported fresh produce is only available at the high-end grocery stores.

3. Market Size, Structure & Trends

A. Vegetables

Korea is self-sufficient in almost all vegetables and production is increasing slightly. In 2004, local vegetable production was 10.5 million tons compared with 10.1 million tons in 2003, an increase of 3 percent. Also, fresh vegetable imports increased from \$76.2 million in 2003 to \$91.8 millions in 2004, an increase of 20 percent. Most of the increase was due to fresh potatoes and onions.

Vegetable consumption has increased by 20% since 1990, but surprisingly vegetables used for kimchi production (a local staple), such as cabbages and radishes has stayed the same or declined. Vegetables used for salads (a foreign concept), such as lettuce, tomatoes, onions and garlic have increased, further indicating that consumption trends are changing towards a more Western-style diet.

Major local vegetables include: Chinese cabbage, radishes, onion, garlic, water melons, red peppers, cucumbers and tomatoes.

a. Potatoes

Korea imported 26,000 metric tons of fresh potatoes for manufacturing in 2004. Potatoes are a popular local snack item. Imports from the U.S. increased from 6,400 metric tons in 2003 to 9,800 metric tons in 2004, an increase of 52 percent. In 2005, imports from the U.S., January through August, were \$1.4 million, a year-on-year decrease of 63 percent by value. However, one major potato importer expects that imports of U.S. potatoes will start again this November. The price of U.S. fresh potatoes is more competitive and the quality is better for the manufacture of potato chips compared to our major competitor, Australia. For the majority of fresh potatoes including local production and imported, 60 percent is sold through retail outlets, 30 percent is used in the hotel/restaurant sector, and 10 percent for processing.

Fresh potatoes used for processing are mainly for the manufacture of potato chips. The total potato chip market was 70,000 metric tons: 75 percent made from local production, 15 percent from Australian potatoes, and 5 percent from U.S. potatoes in 2004.

Table 2: Imports of fresh potatoes (HS0701)
Unit: Value - \$1,000

	2000	2001	2002	2003	2004	2005(estimate)
Australia	3,566	2,602	3,574	4,800	8,025	8,000
Japan	345	148	343	0	0	0
U.S.	121	81	236	2,497	4,038	3,000
Other		48	0	0	0	0
Total	4,032	2,879	4,153	7,297	12,063	11,000

Source: Korea Trade Information Service

b. Onions

Korea imported 32,000 metric tons of fresh onions for \$9.6 million in 2004. Imports from the U.S. decreased from 11,330 metric tons in 2003 to 11,100 metric tons in 2004, a decrease of 2 percent. Onions are mostly used for adding flavor to Korean side dishes, in the preparation of Chinese-style foods, and for manufacturing snacks, such as onion rings. In 2005, imports from the U.S., January through June (August), were 409 metric tons, a year-on-year decrease of 95 percent by volume. It is expected that imports will decrease compared to last year because domestic onion production substantially increased in 2005.

Table 3: Imports of fresh Onions (HS0703-10-1000)**Unit: Value - \$1,000**

	2000	2001	2002	2003	2004	2005 (estimate)
China	313	1,333	25	8,452	3,537	5,500
New Zealand	3	3	0	11	0	0
U.S.	308	8	45	6,932	6,075	1,400
Other	105	0	37	1,360	16	100
Total	729	1,345	107	16,755	9,628	7,000

Source: Korea Trade Information Service

c. Garlic

Currently, Korea only imports garlic from China due to its price competitiveness.

Table 4: Imports of Fresh Garlic (HS0703-20)**Unit: Value - \$1,000**

	2000	2001	2002	2003	2004	2005 (estimate)
China	113	8,135	6,996	3,888	2,382	2,500
Total	113	8,135	6,996	3,888	2,382	2,500

Source: Korea Trade Information Service

B. Fruit

During first eight months of 2005, U.S. fresh fruit exports to Korea, reached \$129 million, which is a 42 percent market share (total imports were \$300 million). Oranges continue to be the largest U.S. fresh fruit export to the Korea valued at \$114 million followed by cherries (\$7.4 million), lemons (\$3 million), kiwifruit (\$2.2 million), grapefruit (\$1.7 million), and grapes (\$0.7 million). Total fruit production in Korea was 2.4 million tons in 2004 compared with 2.3 million tons in 2003, an increase of 5 percent. Major local fruits include apples, table grapes, Asian pears, persimmons, tangerines, peaches and plums.

a. Oranges

Orange imports have steadily increased since 1995 reaching 154,000 tons in 2004. Oranges from the California counties of Tulare and Fresno accounted for 90 percent of total U.S. imports in 2004.

Table 5: Imports of fresh Oranges (HS 0805-10)**Unit: Value - \$1,000**

	2000	2001	2002	2003	2004	2005(estimate)
U.S.	60,369 (95%)	75,234 (97%)	85,101 (97%)	109,367 (97%)	130,853 (96%)	119,000 (98%)
Other	2,992	1,966	1,966	3,264	5,891	2,000
Total	63,361	77,200	88,088	112,631	136,744	121,000

Source: Korea Trade Information Service

b. Cherries

Koreans prefer Bing cherries because they are darker and sweeter. Mostly Koreans consume fresh cherries and don't use them as a baking ingredients. Tulare and Brooks varieties are early season varieties and are priced competitively with Bings.

Table 6: Imports of fresh Cherries (HS 0809-20)**Unit: Value - \$1,000**

	2000	2001	2002	2003	2004	2005(estimate)
U.S.	1,078	1,183	1,497	3,826	5,351	8,000
Other	187	182	192	285	702	1,000
Total	1,265	1,365	1,689	4,111	6,053	9,000

Source: Korea Trade Information Service

c. Lemons**Table 7: Imports of fresh Lemons (HS 0805-50)****Unit: Value - \$1,000**

	2000	2001	2002	2003	2004	2005(estimate)
U.S.	4,047	4,453	4,669	3,784	4,340	4,800
New Zealand	94	129	214	73	76	200
Other	3	21	52	23	0	0

Total	4,144	4,603	4,935	3,880	4,416	5,000
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d. Grapes

Fresh grapes are imported from the U.S. from October through January and from Chile from February through May. Korea signed a free trade agreement (FTA) with Chile on April 2004 that provides preferential access for Chilean grapes. A seasonal tariff of 45 percent will be applied to Chilean grapes only during the November-April period starting in 2004. This tariff will be reduced by 4.5 percent each year until it reaches zero in 2013.

Locally produced grape varieties are Campbell, Seredan and Geobong. Red Globe and Thompson varieties are imported from Chile and the U.S. In general, Korean's prefer larger, sweet, seedless and darker colored grape varieties. Koreans typically don't eat the peel.

Table 8: Imports of fresh Grapes (HS 0806-10)
Unit: Value - \$1,000

	2000	2001	2002	2003	2004	2005(estimate)
Chile	10,348	8,438	8,673	13,656	13,133	19,200
U.S.	2,313	1,108	1,771	4,075	3,787	1,000
Other	0	0	0	0	0	0
Total	12,661	9,546	10,444	17,732	16,921	20,200

4. Company Profiles

There are two to three hundred importers and/or distributors of produce products currently supplying the Korean market. The major importers for vegetables and fruits are listed here; however this list changes frequently. It is recommended to contact ATO Seoul for an updated list of produce importers.

Table 9: List of Major Produce Importers

Company Name	Telephone/Email Contact	Contact	Sector
Agricultural & Fishery Marketing Corp.	82-2-6300-1606 sschan@afmc.co.kr	Si Chan SUNG	Vegetable
COSTCO Whole Sale	82-2-2630-2722 kwlee@costcokr.com	Kyung Jea LEE	Vegetable/Fruit
Changshin Agricultural Co., Ltd	82-2-448-8567 freshkorea@hananet.net	Jeong Mi KIM	Vegetable/Fruit
Jinwon Trading Co.,Ltd	82-2-715-0711 choh@jinwon.ne.kr	Chang Hwa OH	Vegetable/Fruit
Korea Marketing Co., Ltd	82-51-727-8778 komaco@kotis.net	MyoungHyo LEE	Fruit

Sooil Commerce & Transport Inc	82-2-409-8967 sooil@soback.kornet21.net	SookYong SUK	Fruit
Doosan Sang Sa	82-2-3398-1489 minogood@doosan.com	Min Ho KIM	Vegetable
Fruteria Inc.	82-2-403-5260 fruteria@hanmail.net	Si Yong KIM	Vegetable/Fruit
Tae Bong Int'l Co., Ltd	82-41-581-1981 changsoo33@hanmail.net	Jae Woo HIM	Fruit
Sunlog Inc	82-2-3498-2898 kukim@sunlog.com	Key Uk KIM	Fruit
Korea Tourist Supply Center	82-2-458-3291 ktsci@kotis.net	JongJae LEE	Vegetable/Fruit

Source: Korea Trade Information Service

Section III. COSTS AND PRICES

Table 10: Current Vegetable Price

Vegetable	Country of Origin	Weight/Number	Price
Carrot for Juice Use	Korea	1 Kilogram	W2,000
Radish	Korea	1 large size	W4,000
Mini Asparagus	Korea	1 pack	W1,400
Head Lettuce	Korea	1 head	W980
Broccoli	Korea	1 stem	W1,690
Cauliflower	Korea	1 stem	W4,000
Bell Pepper	Korea	1 big yellow	W2,000
Spinach	Korea	1 bunch	W1,000
Onion	Korea	1 Kilogram pack	W980
Potato (washed)	Korea	5 big size	W1,680
Carrot	Korea	0.1 Kilogram	W240
Pumpkin Sweet Potato	Korea	1 Kilogram	W2,900
Cucumber (Environmentally friendly product)	Korea	2 big size	W2,700
Baby tomato (Environmentally friendly product)	Korea	500 grams	W3,900
Mushroom	Korea	1 Kilogram	W16,800

Source: Survey on September 23, 2005 at high-end department store's grocery
Exchange Rate: 1 US\$ = 1,030 Korean Won

Table 11: Current Fruit Price

Fruit	Country of Origin	Weight/Numbers	Price
Kiwifruit	New Zealand	18 Medium Size	W9,800
Banana	Philippines	1 bunch	W4,000
Table Grape (Meoru)	Korea	2 Kilograms	W11,600

Table Grape (Geobong)	Korea	2 Kilograms	W9,800
Apple	Korea	5 Medium size	W3,000
Peach	Korea	4 Large size	W9,700
Cantaloupe	Korea	1 Medium size	W6,800
Orange	South Africa	4 Medium size	W5,800
Navel Melon	Korea (Environmentally Friendly Products)	4 Medium size	W6,000
Pear	Korea (Environmentally Friendly Products)	2 Large size	W6,800
Tomato	Korea	5 Kilograms	W9,800
Watermelon	Korea	Large size	W25,000
Apple Mango	Korea	One Large size	W25,000
Seedless Green Grapes	U.S.	1 Kilogram	W10,000
Red Globe Grapes	U.S.	1 Kilogram	W6,800
Grapefruit	U.S.	2 Large size	W6,000
Avocado	U.S.	1 Large size	W4,500
Lime	U.S.	1 Kilogram Pack	W4,800
Lemon	U.S.	2 Medium size	W1,800

Source: Survey on September 23, 2005 at high-end department store's grocery
Exchange Rate: 1 US\$ = 1,030 Korean Won

Section IV. MARKET ACCESS

Korea Ministry of Agriculture & Forestry has been compensating grapes, kiwifruit and peach farms that may have been hurt or forced to close due to the Korea-Chile FTA since October 2004.

Table 12: Tariffs and Tariff Quotas for Vegetables

	Commodity Description	Tariff
0701.10.0000 0701.10.9000	Seed Potato Other than seed potato	Quota: 1,898 MT/N=0%, M=304% Quota: 18,810 MT/N=30%, M=304%
0703.10.1000 0703.20.1000	Onions Garlic	Quota: 20,645MT/ N=50%, M=135% Quota: 14,467 MT/ N=50%, M=360%
0704	Cabbage & Cauliflower	27%
0705	Lettuce & Chicory	Lettuce: 45% & Chicory: 8%
0709	Artichoke & Asparagus	27%

N: tariff within the quota, M: tariff when exceeding the quota

Table 13: Tariffs and Tariff Quotas for Fruits

HS Code	Commodity Description	Tariff
0803	Bananas	30%
0804.30 0804.40 0804.50	Pineapple Avocado Mango	30% 30% 30%
0805.10 0805.20.1000 0805.20.9000 0805.50.2020 0805.90.0000	Oranges Korean citrus Others Limes Others	Quota: 57,017 MT / N=50%, M=50% Combined Quota of these 4 different codes 2,097MT / N=50%, M=144%
0809.20	Cherries	24%

N: tariff within the quota, M: tariff when exceeding the quota

Source: Tariff Book from Korea Customs Office

Table 14: Current Entry Requirements for U.S. Vegetables

Commodity	Entry Requirements	Comments
Artichoke	PC ¹	
Asparagus	PC	
Barley	PC	
Basil	PC	
Bean husk(dried)	PC	
Bean Sprout	PC	
Broccoli	PC	
Brussels sprout	PC	
Carrot	PC	
Cauliflower	PC	
Celery	PC	
Chinese cabbage	PC	Cabbage is prohibited
Chive	PC	
Cilantro	PC	
Corn(seed)	PC	
Endive	PC	
Garlic	PC	
Ginkgo	PC	Pulp should be removed
Horseradish(w/raw roots) (Armoracia rusticana)	PC	

Leek	PC	Underground part prohibited
Lemon grass	PC	
Mint	PC	
Mushroom	PC	
Mustard green	PC	
Onion	PC	
Oregano	PC	
Parsley	PC	
Potato	PC	AZ, CA, CO, DE, KS, MD, MT, NB, ND, NM, NV, NY, OK, PA, SD, UT, WV, WY prohibited
Radicchio	PC	
Rhubarb	PC	
Rice(hulled)	PC	
Rosemary	PC	
Shallot	PC	
Soybean oilseed cake	PC or EC ²	
Soybean palletized hulls	PC or EC	
Soybean seeds	PC	
Spinach	PC	
Tarragon	PC	
Turnip	PC	
Watercress	PC	
Wheat	PC (KB AD ³)	Allowed from Karnal bunt free area only.

Table 15: Current Entry Requirements for U.S. Fresh Fruits

Commodity	Entry Requirements	Comments
Avocado	PC	HI, TX, FL prohibited
Banana	PC	Mature banana prohibited
Cherry	PC, MB ⁴	
Coconut palm	PC	
Grape	PC (ff AD ⁵)	HI, TX prohibited
Grapefruit	PC (ff AD)	HI, TX, prohibited Grapefruit from Florida should meet the "Florida Orange Protocol for Export to Korea".
Kiwi	PC (ff AD)	HI prohibited
Lemon	PC(ff AD)	HI, TX, FL prohibited
Lime	PC (ff AD)	HI, TX, FL prohibited
Melon	PC (ff AD)	HI prohibited

Orange	PC (ff AD) Mandatory fumigation	HI, TX prohibited Oranges from CA should meet the "CA Orange Protocol for Export to Korea".
Persimmon	PC (ff AD)	HI, TX, FL prohibited
Pineapple	PC	Underground part prohibited

Notes:

1. Phytosanitary Certificate (PPQ Form 577)
2. Export Certificate for Processed Plant Products (PPQ Form 578)
3. Following Additional Declaration should be on the PC, "The wheat in this shipment originated in areas of the United States where *Tilletia indica* (Karnal bunt) is not known to occur".
4. Methyl Bromide treatment
5. Following Additional Declaration must be entered on the PC, "This shipment was produced and packed in an area outside of the quarantine regulated area for fruit flies (Med fly, Oriental fruit fly, Mexican fruit fly, etc.)"

Commodities Not Listed should be considered prohibited, or else the requirements are not known or have not been established. The information included in this report should only be considered a guideline. Please check with your local APHIS office for specific Korean import requirements.

SECTION V. POST CONTACT AND FURTHER INFORMATION

U.S. Agricultural Trade Office (ATO), Seoul, Korea

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